

WATER/ABJ/HJL:jlj**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4437****November 13, 2003****R E S O L U T I O N**

**(RES. W-4437), VALENCIA WATER COMPANY (VWC). ORDER
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$488,200 OR 3.3% FOR
INCREASES IN THE COST OF PURCHASED WATER.**

SUMMARY

By Advice Letter No. 100, filed August 20, 2003, VWC seeks revision of tariff schedule No. 1, General Metered Service, to provide for an increase in revenues. This increase is a result of increased costs for purchased water since VWC's present rates became effective May 13, 2003. This Resolution authorizes VWC to increase revenues by \$488,200 or 3.3% to offset purchased water rate increase by Castaic Lake Water Agency (CLWA) to become effective on January 1, 2004. The offset rate increase will not result in a rate of return greater than last authorized for VWC. VWC also seeks authorization to begin maintaining a balancing account for purchased water as required by Public Utilities Code Section 792.5.

BACKGROUND

VWC serves approximately 26,300 customers in Valencia, Stevenson Ranch, and portions of Newhall, Saugus, and Castaic. The present rates for VWC became effective May 18, 2003, by Advice Letter No. 99, which authorized a general rate increase in accordance with Decision No. 03-05-030.

VWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset a \$488,200 increase in purchased water costs. The higher costs for purchased water will be imposed on VWC by the Castaic Lake Water Agency (CLWA) effective January 1, 2004.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized.

The reason for the above changes is as follows: CLWA will increase its wholesale purchased water rates effective January 1, 2004, from \$145 per acre-foot to \$181 per acre-foot. This increase will result in an annual \$488,200 increase in purchased water costs for VWC.

The increases in CLWA's purchased water cost are directly related to water consumption and therefore the associated rate increase for VWC shall be applied to the quantity rates. In order to recover the higher costs, VWC will increase its quantity charge by \$0.044/Ccf to \$0.951/Ccf (One Ccf is equal to one-hundred cubic feet). The monthly bill for an average residential customer utilizing 20 Ccf of water per month would increase by \$0.88 from \$28.14 to \$29.02, or 3.1%.

Service by VWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. VWC is currently earning 7.61% on a recorded basis and 8.32% on a pro-forma basis, which do not exceed its authorized rate of return of 9.2%.

NOTICE AND PROTESTS

VWC has given public notice of the request for an increase by publishing in a local newspaper of wide circulation in the Santa Clarita Valley as evidenced by a Proof of Publication provided to the Water Division by the utility. No protests letters were received concerning the proposed offset increase.

FINDINGS

1. Effective January 1, 2004, CLWA will increase its purchased water rates from \$145 per acre-foot to \$181 per acre-foot.
2. CLWA's increase in rates will result in a \$488,200 increase in purchased water costs for VWC.

3. VWC has requested to increase its quantity charge by \$0.044/Ccf to offset the \$488,200 in increased costs for purchased water.
4. VWC has requested authority to begin maintaining a purchased water balancing account as required by Public Utilities Code Section 792.5.
5. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Valencia Water Company is authorized, to make effective on January 1, 2004, revised Schedule No. 1, General Metered Service, attached to Advice Letter No. 100, and to cancel the corresponding presently effective rate schedule.
2. Valencia Water Company is directed to begin maintaining a balancing account for purchased water as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 13, 2003; the following Commissioners approved it:

WILLIAM AHERN
Executive Director